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ABSTRACT

Three papers from conferences on statewide coordination in postsecondary education are presented as part of the Inservice Education Program of the Education Commission of the States. In "Educational Program Budgeting in Oklahoma," Edward J. Coyle and Dan S. Hobbs outline the principles, procedures, and processes utilized by the state in the development of institutional needs for educational and general funds. The new budgeting by educational program system in Oklahoma is concerned with instruction, research, and extension. It is suggested that state-level budgeting by educational program is superior to the old system of budgeting by educational function in that it is more responsive to changing conditions; it ties program approval directly to the budget-development process; and it is more readily communicated to the legislature and the public than the previous system. The second conference paper by Robert Berdahl discusses accountability in public higher education. It is suggested that a Legislative Program Evaluation movement and sunset legislation (to evaluate and either terminate or continue state agencies) appear to indicate that the state governments may want to evaluate how good a job educational institutions are doing (output evaluation). The third conference by Thurston E. Manning considers program evaluation. Evaluations involve judgments about the effectiveness and efficiencies of institutions or programs, and about the improvement of institutional or program effectiveness or efficiency. It is suggested that there is a need for states to develop clearer statements of purpose for institutions, especially the public institutions and to have a broad base for making judgments about educational quality. (SW)

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Accountability

by Robert Berdahl

It is quite remarkable that when the states began to create state higher education institutions, they did not turn to the normal forms of accountability for running them. Instead, they accepted the precedent of the private college board of trustees with its corporate form of government. Earl Cheit has called this a self-denying ordinance whereby the state gave to the corporate boards established for public colleges certain privileges and immunities not granted to other state activities: the right to sue and be sued, to have control over their internal finances, to handle personnel policies free of state civil service rules and so on.

Over time, pressures for increased accountability have lessened the areas of discretion those corporate boards have enjoyed (particularly in areas like budgets or determination of new buildings); items such as program control, admission of particular students, and the hiring, promotion and tenure of particular faculty members have always been off-limits or beyond the reach of state accountability. Although the self-denying ordinance has thus been modified with the emergence of statewide boards, executive and legislative staffs, PPBS, cost benefit analysis and better information systems, until recently the heart of academe had remained beyond the reach.

Lately, however, there have been some general developments in state government which may operate ultimately to alter the exemptions from traditional state accountability patterns. In the executive branch of state government, for instance, many states changed two-year gubernatorial terms to four years. Many states also removed the prohibition against reelection of their governor and gave the governor item veto powers so that he or she could reach inside the budget and literally blue pencil individual items and leave the rest of the bill intact.

Occasionally states also reorganized some of their floating multimember commissions with staggered terms in order to bring them more closely under the control of a single governor during his administration. Many states put statewide elective offices like attorney general, secretary of state, lieutenant governor on a ticket together or made some of them appointive by the elected governor to strengthen the coherence of the executive branch.

While all of that was going on, state legislatures were not remaining passive in the face of this strengthening of the executive branch. They improved their staffing and fought for control of the postaudit function. In the past twenty years, the postaudit function in over thirty-five states has been brought into the legislative branch and its activities often broadened in scope and nature to go beyond the traditional fiscal and management audits wherein legality and efficiency of expenditures were examined. The broadened activities have moved to something called performance or program audits in which the effectiveness rather than the efficiency of the object is examined. Now, it sounds easy to judge whether an activity is effective or not. But this implies that somebody has an idea somewhere as to what ought to be, in normative terms, the output of the agency or function in question.

The state audit staffs, many of whom are very bright young men and women coming out of

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graduate schools of public policy at flagship campuses, join the ranks of the legislative staff at the state capital and come back to their alma mater in a mood to bite the hand that intellectually fed them. They ask some very awkward questions and those in higher education do not seem very ready or able to offer answers.

There has emerged in the past few years a movement called the Legislative Program Evaluation (LPE). Rutgers has a clearinghouse for the organization at the Eagleton Institute of Politics, and the National Conference on State Legislatures in Denver is used for administrative coordination. The LPE staff wants to know the answers to some very stark questions: What are your purposes? How do they jibe with legislative intent? To what extent is your agency doing what the legislature meant for you to do? How good is it? Could it be improved?

Wherever it is and under whatever forms it takes, LPE is coming, and it is no longer granting exemption and immunity to higher education. Institutions can not tell them to go away simply because the heart of academe has always been deferred to by the state accountability pattern. Case studies indicate that these staffs are not deferring to the professionals in education any longer but are demanding the same accountability expected from highways, prisons, agriculture, recreation and everybody else. The plea that higher education is different because of notions of academic freedom or academic institutional autonomy just does not seem to go very far.

Most states are now using LPE studies to undertake relatively technical pieces of analysis. There are not many states that yet seem ready to aim that performance audit weapon at academic programs on the four-year campuses. For the moment, there is a holding pattern where academic programs in most states have not yet been evaluated by the LPE staff. But one senses that it is an uneasy plateau period.

Alongside is coming another movement, sunset legislation, that lends reason to fear that it may join with LPE and together become an irresistible force. In contrast to the assumption that any state agency continues unless it is explicitly terminated, sunset legislation means that all state agencies will be terminated unless explicitly continued. Legislators build in a timetable for the review and evaluation of the effectiveness of the agencies concerned.

There are three kinds of sunset laws. Some apply only to regulatory boards like boards of cosmetology or barbers. There are also selective laws that go beyond the regulatory function but stop short of being comprehensive. In the third category are the comprehensive laws that say that every state agency between now and 1982 will be lined up in a certain sequence and will be evaluated and either continued or terminated. One does not know what kinds of state staffs will try to make these terminal judgments or what kinds of criteria they will use as to whether the higher education agencies are "effective" or not.

The Legislative Program Evaluation movement and sunset legislation lead one to believe that the people in the state capitol are no longer going to be content merely to evaluate inputs: how many students, how many faculty, how many square feet of buildings and how many dollars. Evaluators will come around to the exit door and will ask how good institutions are at what they are doing. This trend is reinforced by the demand for minimum competency in elementary-secondary education. The day may come when the same stringent review will be applied to higher education.

I would say that those in higher education have about ten years to decide this kind of policy dilemma of whether to cooperate with the "technocrats" in devising systems of evaluation of output and maybe let them come more quickly or to stand in the door and tell them to go away since output evaluation is not appropriate to what is going on in higher education. Do we cooperate with these elements in state government and try to make jointly a set of criteria that institutions can live with and that do minimum damage to what are considered to be academic values?

The patterns of accountability in the future will have to be much more concerned with the forms of evaluation. Statewide boards are now doing quite well at the program level, particularly in the

approval of new programs. Statewide boards are also getting more thoroughly into a review of existing programs which, of course, is much more controversial. But whether they will go beyond that and will start trying to evaluate the outputs of higher education is very problematical. If a statewide board does not try to help the institution to be its better self in the face of this outside demand for performance accountability, I think the task will go by default to people, perhaps of goodwill and benign intent, who will make their own systems of accountability, and academe may have to live in a straitjacket that is not one of its own making.

Educational Program Budgeting in Oklahoma

By

Edward J. Coyle and Dan S. Hobbs

Oklahoma State Regents for Higher Education

The Oklahoma State System of Higher Education is made up of 27 colleges and universities plus eight other constituent agencies whose functions are related to public higher education. These institutions and agencies currently enroll 127,536 students and will expend $219,866,634 for educational and general purposes during 1976-77. This figure does not include $37.7 million to be expended from sponsored research and other sponsored program funds.

Article XIII-A of the Oklahoma Constitution provides that the Oklahoma State Regents for Higher Education shall constitute a coordinating board of control for all State System institutions and agencies, whose specified powers include (a) the prescribing of standards of higher education for each institution, (b) the determination of functions and courses of study in each of the institutions to conform to the standards prescribed, (c) the granting of degrees and other forms of academic recognition for completion of prescribed courses, and (d) recommending to the Oklahoma Legislature the budget allocations to each institution.

Ideally, a state-level system to determine the budgetary needs of colleges and universities should meet three basic objectives. The system should provide for adequacy, equity, and accountability. Each institution or agency needs a budget allocation sufficient to carry out its assigned functions and programs. Likewise, institutions should have the perception that they have been treated fairly in comparison with other institutions. Thirdly, there must be a consensus on the part of the Legislature and the people that public funds are being wisely allocated and administered.

A state-level system for determining institutional needs should likewise possess some secondary characteristics, including the ability to respond to changing conditions, either up or down; the capability of being readily communicated to institutions and the public; and flexibility to provide for ease of administration at the campus level. Also, it is to be hoped that the data requirements to make the system run would not be so great as to outweigh its benefits in the form of analytical data to be used by administrators in the evaluation of institutional performance.

Development of Educational Program Budgeting

Some twenty-five years ago, Oklahoma pioneered in the development of a new "formula by budget function" system for presenting the needs of colleges and universities to the Oklahoma Legislature. That is, institutional needs were spelled out in terms of how many dollars were needed to pay for (1) administration, (2) general expense, (3) instruction and departmental research, (4) library, (5) organized activities, (6) organized research, (7) extension and public service, and (8) physical plant.

That system had many advantages, and served well during the relatively static days of the 1950's and early 1960's. However, it proved to be unresponsive to changing societal conditions in that it favored the small inefficient college over the growing, more efficient institution. Also, it was difficult of communication in dealing with the Oklahoma Legislature. It was therefore determined that a new system was needed to see institutions through the rapidly changing growth years of the late 1960's and 1970's.

The new "budgeting by educational program" system in Oklahoma is akin to, but not identical with, the system being developed by the NCHEMS organization. It is predicated on the assumption that all institutions carry out three primary functions or activities, namely (1) the transmission of higher knowledge (Instruction), (2) the development of new knowledge (Research) and (3) the extension of higher education programs and services to the public at large (Extension and Public Service).

For educational program budgeting purposes, the three primary categories of Instruction, Research and Extension are divided into sub-categories called programs, research programs, and extension programs. To this date, only the functional area of instruction has been developed systematically on a program-by-program basis. Next in the list of items to be accomplished is the functional area of extension, to be followed by research.

During the early 1960's the State Regents began to gather and store various kinds of statistical data in preparation for budgeting by educational program. These data included such items as student enrollment by level, instructional salaries of faculty, the cost of teaching individual courses and educational programs, and the like. There is now on file at the state level a decade or more of such historical data.

The new educational program budgeting system was first utilized on a trial basis with one institution some five years ago. The following year, 1973-74, the new system was used for three institutions representing three different institutional types. In 1974-75, the new system was generalized to include all institutions.

Although it is probably too early to assess the effectiveness of the new budget-needs system after only a three-year trial, few preliminary observations can be made at the current stage of development. First, state-level budgeting by educational program is superior to the old system of budgeting by educational function in that it is more responsive to changing conditions; it is more rational than the old system for the reason that it ties program approval directly to the budget-development process; and it is more readily communicated to the Legislature and the public than the previous system. It also spills out better analytical data for institutional use than the budget function method.

The limitations of the new system are that it requires a somewhat greater amount of data to run than did the older system, and the data outputs are not directly related to the way institutions budget at the campus level. It may therefore be concluded that budgeting by educational program is a more valuable state-level tool than an institutional tool at this point. Overall, however, the Oklahoma experience with educational program budgeting has been a salutary one.

The remainder of this paper will be devoted to a detailed description of the principles, procedures and processes utilized by the Oklahoma State Regents for Higher Education in the development of institutional needs for educational and general funds by the educational program budgeting method.

Background

One of the responsibilities of the Oklahoma State Regents for Higher Education, as set out in Section 2, Article XIII-A of the Constitution of Oklahoma, is to "...recommend to the State Legislature the budget allocations for each institution." In discharging this constitutional responsibility, with respect to operating budget needs, the State Regents prepare and submit to each Oklahoma Legislature a recommendation for appropriation of funds for the institutions in The Oklahoma State System of Higher Education. The recommendation is developed and presented for each institution on a "Program Budget" basis which identifies each program workload by level in terms of full-time equivalent (FTE) students for each of the programs together with the anticipated dollar need per FTE for each of the levels for each program, the total needs for each program and the total needs for the educational programs of the institution.

Preparation of the budget needs entails considerable research and study on the part of the State Regents. In arriving at the needs of institutions, it is necessary to gather and consider information about such factors as functions and educational programs of institutions, the student enrollment of institutions, faculty and staff manpower requirements, faculty salaries, and the like. Also, the State Regents conduct study sessions with presidents of colleges and universities in the State System to obtain their views as to the needs of their respective institutions.

Criteria

In order to assist the State Regents in applying the results of their research and study to accomplish their constitutional and statutory responsibilities, they adopt Guiding Principles and steps of Procedures. While these may be modified from time to time to accommodate changing policies, they provide reliable reference points for understanding the program budgeting system and for evaluating the performance of the system. For the fiscal year 1977-78 principles and procedures have been adopted as follows:

Guiding Principles

1. Oklahoma should support the educational programs of institutions in the State System at such level that will provide high-quality educational performance.

2. Each institution in the State System should carry out three broad areas of educational program responsibility: (a) instruction, (b) research, and (c) public service.

3. The budget needs of each institution should be determined on the basis of educational program costs including the three categories above projected for the budget year.

4. The instructional program costs should include: (a) resident instruction, (b) orgainzed activities related to instruction, (c) library, (d) general administration, (e) general expense, and (f) operation and maintenance of the physical plant. Budget needs for organized research and extension and public service should be computed separately from instructional costs.

5. Primary factors that should be recognized in determining the instructional part of the budget needs should include: (a) type of institution, (b) instructional program costs by level, and (c) full-time-equivalent enrollment by level for the full fiscal year.

6. Operating experience of institutions in Oklahoma and institutions in the 10-state region including (a) ratios of students to faculty by level, (b) average salaries of full-time faculty by type of institution, and (c) total educational and general budget student per capita expenditure, should be recognized as influence factors when establishing instructional program costs.

7. The amount of funds to be added to the budget for research is then determined. Basic functions of institutions will, of course, influence the determination of these amounts. Institutions that accomplish significant research must be provided funds accordingly. All institutions carry on some type of institutional research and study of programming and thus must be provided an allowance for this function of the budget.

8. Extension and public service is the third category of the educational program budget. Again, institutions' functional assignments will influence the degree to which they participate in extension programs and/or public service programs. An appropriate amount for this program is accordingly determined.

9. The final step is to add the amounts determined for (a) instructional programs, (b) research, and (c) extension and public service. This becomes the total amount of budget needs of the institution for the educational programs to be operated.

Funding

An estimate is made of the amount of income expected to be available during the budget year from Revolving Funds. This is subtracted from the total institutional budget requirement for the year and the difference becomes the amount requested for State-Appropriated Funds.

"State-Appropriated Funds" are those funds appropriated by the Legislature to the State Regents to be allocated to constituent institutions and agencies. "Revolving Funds" are those funds which the institutions receive from student fees, sales and services of educational departments, the Federal Government in some instances, and from other miscellaneous sources. The amount of "Revolving Funds" income is estimated for each institution after taking into consideration its fee schedule, the function of the institution and possible charges to be made by the institution for the different services rendered, and the past experience of the institution as to funds actually received from the various sources.

Results

Program budgeting results for twenty-five institutions in The Oklahoma State System of Higher Education for 1977-78 show a projected 104,620 FTE students will be served in 1,725 programs at a total needs of $182,186,944. Perhaps even more significant from a public policy standpoint, these results include (1) the program production or output emphasis which provides the Legislature and the Governor with a better understanding of what the State is to receive for the money requested; (2) a firm basis for equitable allocation of funds among institutions; and (3) criteria for accountability of institutions and the State System in accomplishing the work proposed.

Program Evaluation

by Thurston E. Manning

Evaluation of quality of institutions or programs is in most states a responsibility of individual institutions acting alone or through the voluntary accreditation process. A fundamental point is that judgment about quality must be based on an understanding of purpose: unless one is sure what purpose an institution or program is to serve one cannot judge whether it is achieving the purpose. And the degree of success in achieving educational purpose is the measure of educational quality.

Evaluation itself can serve different ends, and the form of evaluation must be chosen with this in mind. Among the ends of evaluation are judgments about *(a)* the effectiveness of institutions or programs (that is, are they in fact achieving their purposes); *(b)* the efficiencies of institutions or programs (that is, are they achieving their purposes at reasonable cost); and *(c)* the improvement of institutional or program effectiveness or efficiency. The accreditation process has taken as a primary end the improvement of institutions and programs. As a result its procedures are different from those that would be used if a judgment of effectiveness or efficiency were the only outcome of the evaluation. Indeed, for many institutions the end of improvement is more important than the effectiveness judgment, and that judgment is therefore an incidental outcome.

The future concerns of states in assuring institutional and program quality require addressing several issues. First of these is the need for states to develop clearer statements of purpose for institutions, especially the public institutions. Institutional statements of purpose are often vague and almost theological in language. What is needed are statements sufficiently precise to gauge whether the activities of the institutions do achieve the purposes – the measure of institutional quality.

A second issue is the inherent conflict between central control of a system of institutions and the local autonomy of each institution. States need to find a middle ground that will allow for sufficient coherence of the system to assure statewide objectives, while permitting the flexibility that will permit institutions to respond to new local demands and engage in constructive innovation. A system that has too tight central control is inflexible and unresponsive; a system that is completely decentralized lacks coherence, tends to overlook statewide concerns, and frequently has unneeded duplications. The balance between the two extremes is a day-by-day political problem having solutions unique in each state.

The third issue is the need for states to have a broad base for making judgments about educational quality. Intrastate conflicts among institutions do exist and may affect judgments about institutions. Particularly serious is the situation in which the governing board of a public institution becomes the state licensing agency for private institutions. In such cases, a judgment restraining or prohibiting the operations of a private institution is often seen as arising from a fear of competition on the part of the licensing agency which is simultaneously an institution competing for students.

But perhaps a more important reason for a broad base of judgment is the fact that no state's educational system stands on its own. Consequently

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there is a need to look beyond the borders of a state, to be aware of the interstate effects of educational decisions and judgments, and to utilize knowledge and experience available beyond the state borders.

A possible way for states to obtain a broader base for judgments of educational quality of its institutions is to utilize more fully the activities of the voluntary accrediting associations. These organizations extend over several states, thus providing a geographical broadening, and in addition incorporate both public and private institutions. While accreditation currently focuses on individual institutions or programs (and thus does not deal directly with the state concern of coordination among institutions), it represents an accepted means by which judgments about the quality of those institutions and programs can be made.

Two final comments. First, while it is true that educational quality means the successful meeting of valid educational purposes, the states should be aware that their educational systems have other effects. From time to time a state should conduct what Scriven has called a "goal-free" evaluation: simply having qualified persons examine the effects of an institution or program without reference to the purposes. In this way important outcomes unrelated to stated purposes may be discovered.

Second, states – or more exactly the people of a state – should have some tolerance for the mistakes that will be made in any human enterprise. Public organizations often seem so intolerant of error that primary attention is given to error avoidance. But if the educational enterprise is to be flexible enough to meet the new and developing needs of society it must encourage trying new things. Some of these trials will not be successful; mistakes will occur. Never committing mistakes means never doing anything new and untried. The cost of mistakes is less than the cost of inaction.